

**OPENING STATEMENT OF  
RANKING DEMOCRATIC MEMBER PAUL E. KANJORSKI  
SUBCOMMITTEE ON CAPITAL MARKETS, INSURANCE,  
AND GOVERNMENT SPONSORED ENTERPRISES  
SECOND HEARING ON INSURANCE REGULATION AND  
COMPETITION FOR THE TWENTY-FIRST CENTURY  
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Mr. Chairman, today we meet for a second time to analyze various proposals to increase the efficiency and uniformity of insurance regulation. I again commend you for your diligence in convening this series of hearings. Today's witnesses should help us to better understand the procedures for introducing new insurance products and the process of solvency examinations.

At our last hearing, we heard from both sides of the ongoing policy debate about reforming insurance industry regulation and creating an optional federal insurance charter. Some of our witnesses argued that the needed reforms are most appropriately pursued at the state level. Others suggested that a dual-regulatory structure at the state and federal level would most adequately address the problems plaguing the industry. We will hear similar arguments today.

No matter what side one takes in this long-standing debate, it has become clear to me that this is no longer a question of whether we should reform insurance regulation in the United States. Instead, it has become a question of how we should reform insurance regulation.

This reform effort will likely prove difficult. After all, the American insurance industry, as I noted at our last hearing, is broad and diverse. According to one estimate, we have nearly 5,800 insurance companies operating in the United States. These companies vary greatly in size, structure, and product offerings. As a result, I suspect that it will take us at least several years to forge a consensus on this complicated set of issues.

Later today, I plan to continue to explore whether we should create a tiered regulatory structure for insurance, similar to the oversight system we devised for investment advisors. Under this system, the federal government would regulate insurers above a certain size or in certain business lines, while states would retain the responsibilities for regulating the rest.

During today's hearings, we should also continue to carefully examine consumer issues. We should, for example, determine the costs and benefits of a streamlined regulatory system. We should additionally determine what safeguards are needed to protect consumers' interests. In the end, consumers should be the ultimate beneficiaries of our actions.

Moreover, as we proceed today, we should explore how international forces continue to change in the insurance marketplace. From these discussions, I expect to learn that the American system of insurance regulation must evolve into a more streamlined model in order to remain globally competitive in the long term.

In closing, Mr. Chairman, I look forward to hearing from our distinguished witnesses and to learning more about their views for improving insurance industry

regulation. As we continue to examine these issues, I am confident that our careful analysis will allow us to eventually identify a bipartisan consensus on the most effective and appropriate way to proceed.

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